

## Message Text

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43

ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10

L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 OMB-01 SIL-01 LAB-06 EB-11 DRC-01

/156 W

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R 291742Z JAN 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0024

INFO AMCONSUL BREMEN

AMCONSUL HAMBURG

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL STUTTGART

AMCONSUL MUNICH

USMISSION BERLIN

USMISSION GENEVA

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY VIENNA

UNCLAS SECTION 01 OF 02 BONN 01572

E.O. LL652: N/A

TAGS: ELAB, GW

SUBJECT: COMPROMISE ON EXTENDING CAPITAL ACCUMULATION

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TO WORKERS

REF: BONN 01320 AND 13591 OF SEP 20, 73

1. ON JANUARY 22, SPD MINISTER FOR LABOR WALTER ARENDT AND FDP MINISTER AT LARGE WERNER MAIHOFFER ANNOUNCED COMPROMISES ON MANAGEMENT/LABOR CODETERMINATION (MITBESTIMMUNG) (BONN 01320) AND CAPITAL ACCUMULATION BY WORKERS (VERMOEGENSBILDUNG).

2. THE VERMOEGENSBILDUNG PROPOSAL PROVIDES FOR THE CREATION OF INVESTMENT FUND FOR WORKERS BY A SUPPLEMENTARY TAX ON TAXABLE PROFITS OF CORPORATIONS AND LARGE PRIVATE FIRMS.

3. THE PROPOSED LAW EXTENDS TO THE 27 THOUSAND CORPORATIONS WITH TAXABLE PROFITS EXCEEDING 400,000 DM ANNUALLY AND TO INDIVIDUALLY-OWNED FIRMS WITH ANNUAL PROFITS EXCEEDING 500,000 DM. THE AMOUNT DEDUCTED WOULD RANGE FROM 2 PERCENT TO 10 PERCENT OF PROFITS EXCEEDING 1 MILLION DM. DEDUCTIONS IN CASH OR IN COMPANY STOCKS WOULD BE COLLECTED BY A SPECIAL AGENCY AND DISTRIBUTED TO OVER 20 INVESTMENT FUNDS SUPERVISED BY BANKS. A 200 DM CERTIFICATE WOULD BE ISSUED ANNUALLY TO SINGLE EMPLOYEES WHOSE ANNUAL EARNINGS DO NOT EXCEED 36,000 DM AND TO MARRIED COUPLES EARNING LESS THAN 54,000 DM. THE ELIGIBILITY CEILING FOR MARRIED COUPLES INCREASES BY 9,000 DM FOR EACH DEPENDENT CHILD. RECIPIENTS COULD CHOOSE THE INVESTMENT FUND TO ADMINISTER THEIR CERTIFICATE. THE CERTIFICATES WOULD BE FROZEN FOR A 7-YEAR PERIOD, AFTER WHICH THE INVESTOR COULD REDEEM HIS CERTIFICATE AT CASH VALUE PLUS INTEREST. FOLLOWING REDEMPTION, THE INVESTOR WOULD NOT BE ELIGIBLE TO RECEIVE NEW CAPITAL CERTIFICATES FOR 5 YEARS.

4. THE FEDERAL GOVERNMENT CALCULATES THAT DEDUCTIONS WILL AMOUNT TO 5 BILLION DM PER YEAR AND THAT 23.6 MILLION PEOPLE WOULD BE ELIGIBLE TO PARTICIPATE IN THE PROGRAM. IN 25 YEARS, A PARTICIPANT WOULD BE ABLE TO ACCUMULATE 27,000 DM, WHICH WOULD INCLUDE DIVIDENDS AND INTEREST AT AN ANNUAL RATE OF 3.5 PERCENT.

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5. SAVINGS INCENTIVES AND PROFIT SHARING BY WORKERS

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AMEMBASSY VIENNA

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HAVE BEEN LEGISLATIVE GOALS OF THE DGB AND ALL POLITICAL

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PARTIES FOR MANY YEARS, BUT SHARP DIFFERENCES EXISTED ON HOW THESE OBJECTIVES COULD BEST BE ACHIEVED. THE SPD ADVOCATED THAT VERMOEGENSBILDUNG CAPITAL BE INVESTED IN A CENTRALLY ADMINISTERED FUND IN WHICH UNION INFLUENCE WOULD PLAY A LARGE ROLE. THE FDP WANTED THE CAPITAL TO BE INVESTED IN A NUMBER OF FUNDS ADMINISTERED BY PRIVATE FINANCIAL INSTITUTIONS. THE CDU ADVOCATED THAT WORKERS SHARE PROFITS DIRECTLY EITHER THROUGH COLLECTIVE BARGAINING AT THE PLANT LEVEL OR THROUGH LEGISLATION. CURRENTLY WORKERS SHARE PROFITS THROUGH A SERIES OF LAWS PROVIDING VOLUNTARY INCENTIVES FOR EMPLOYERS TO SHARE PROFITS WITH WORKERS. THE NEW GOVERNMENT PROPOSAL COMPELS EMPLOYERS TO SHARE PROFITS WITH WORKERS.

6. VERMOEGENSBILDUNG THROUGH A COMPULSORY TAX ON PROFITS HAS ITS OPONENTS EVEN IN THE TRADE UNION MOVEMENT. THE PUBLIC SERVICE WORKERS OETV, THE TEACHERS UNION, THE METALWORKERS AND POSTAL WORKERS OPPOSE SUCH PROPOSALS BECAUSE THEY FEEL THEY WOULD NOT LEAD TO A REDISTRIBUTION OF CAPITAL TO WORKERS BUT WOULD ADVERSELY AFFECT THE ABILITY OF THE UNIONS TO NEGOTIATE WAGE INCREASES. THE OPPONENTS ALSO SAY THAT THE VERMOEGENSBILDUNG TAX WOULD REDUCE GOVERNMENT INCOME NEEDED TO IMPLEMENT DOMESTIC REFORM PROGRAMS.

7. THIS COALITION AGREEMENT REPRESENTS NO MORE THAN A GUIDELINE, AND DRAFT LEGISLATION MUST STILL BE WORKED OUT. ALSO, THE SPD AND FDP PREVIOUSLY AGREED THAT CORPORATE INCOME TAX REFORM AND THE CAPITAL ACCUMULATION SCHEME MUST BE LINKED AND ONE IS NOT TO BE ENACTED WITHOUT THE OTHER. (BONN 13591, SEP 20, 73).

8. COMMENT. WITH THE AGREEMENTS ON VERMOEGENSBILDUNG AND MITBESTIMMUNG, THE BRANDT COALITION GOVERNMENT HAS MOVED TOWARD RESOLVING TWO SIGNIFICANT INTERNAL DISAGREEMENTS AND MADE PROGRESS IN CARRYING OUT ITS COMMITMENTS FOR SOCIAL REFORM. END COMMENT  
HILLENBRAND

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**Copy:** SINGLE  
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**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005